

Current market commentary

While analysts were once again too pessimistic and the Q1 reporting season is developing better than expected, the turbulence at regional banks in the US is not abating. The latest interest rate hikes by the central banks are unlikely to improve the situation - on the contrary, the likelihood of a credit crunch in the coming months has thus increased once again. This, coupled with likely declining liquidity (US debt ceiling, quantitative tightening) and rising US unemployment in the coming months, should significantly limit the potential for risk assets. As equity valuations, especially in the US, are also not attracting bargain hunters and systematic strategies are now being invested in more heavily again, which increases the drop rate of equities, we reduced our equity allocation last week from a small to a moderate underweight. Given the diversity of risks and the low risk premiums, we feel comfortable with our more cautious, broadly diversified allocation.

Short-term outlook

The Q1 reporting season is coming to an end in the next two weeks. The bulk of companies will have reported and corporate share buyback programmes will be in full swing again. The Bank of England (BoE) meets on 11 May and Turkey's elections take place on 14 May.

On Tuesday, Chinese imports (Apr) will be released and should provide further insight into the economic recovery. On Wednesday, industrial production data (Mar) for Italy and inflation data (Apr) for the US will be released. Chinese inflation data (Apr) and US producer prices (Apr) follow on Thursday. The week ends with UK Q1 economic growth and US consumer confidence (University of Michigan, May). The following week will see the ZEW index (May), German producer prices (Apr), US retail sales (Apr) and US housing data (Apr).

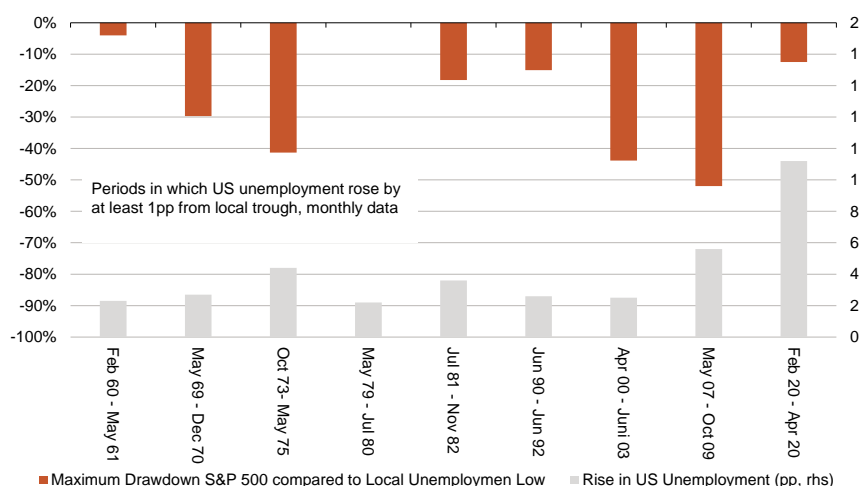
The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Q1 reporting season almost over. Buyback programmes back.

US inflation data in investors' focus.

If unemployment rises from its cycle low, US equities should fall



- In April, US unemployment fell to its lowest level of the cycle. A rise in unemployment of more than one percentage point from the cycle low has usually been accompanied by an economic downturn, falling corporate profits and falling equities.
- A factor that is then likely to put additional pressure on the equity markets is the increased importance of the US retirement market. If unemployment rises significantly, the support from the monthly inflows into these investment strategies will fall as fewer people save.

Source: Bloomberg, Time period: 31/01/1960 - 31/04/2023



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (07/04/23 - 05/05/23)	YTD (30/12/22 - 05/05/23)	05/05/22	05/05/21	05/05/20	05/05/19	04/05/18
Euro overnight deposit	0.2	0.8	1.0	-0.6	-0.5	-0.4	-0.4
MSCI World	0.1	6.0	-1.8	9.9	33.3	-2.5	13.5
REITs	-1.5	0.0	-20.3	19.7	15.1	-11.3	20.0
EUR Coporates	-0.3	2.6	-3.8	-8.9	5.1	-0.7	3.1
EUR Sovereign Debt	-0.9	2.2	-4.3	-6.3	1.3	1.3	1.5
Gold	-1.0	7.4	2.8	19.6	-5.4	37.8	3.9
USDEUR	-2.8		-4.4	13.9	-9.7	3.3	6.8
Global Convertibles	-1.2	0.3	-8.2	-1.7	43.9	5.7	16.9
Industrial Metals	-8.3	-1.3	-20.3	38.4	50.6	-14.8	-6.6
MSCI Emerging Markets	-1.5	0.3	-9.0	-7.3	37.3	-12.3	4.3
MSCI Frontier Markets	-1.8	-0.4	-19.2	12.0	27.1	-12.2	-1.8
Brent	-11.5	-12.6	-21.6	114.9	84.8	-51.7	4.8

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return; REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR; Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR; Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

- Markets seem to increasingly reflect the current market risks (recession, credit crunch, US debt ceiling, housing crisis). Bankruptcies in the banking sector have spread to other smaller lenders, most recently First Horizon and PacWest.
- Cyclical assets such as Brent and EM equities were the worst performers. Developed market equities were surprisingly stable.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 05/05/2018 - 05/05/2023

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (07/04/23 - 05/05/23)	YTD (30/12/22 - 05/05/23)	05/05/22	05/05/21	05/05/20	05/05/19	04/05/18
MSCI EM Eastern Europe	8.9	13.9	13.4	-78.0	22.0	-13.3	17.3
Stoxx Europe Small 200	2.7	7.8	-1.9	-8.4	45.1	-11.4	1.2
MSCI Japan	2.5	5.3	2.3	-1.9	20.5	-2.1	-0.9
DAX	2.3	14.6	14.8	-8.4	41.4	-13.6	-3.2
Stoxx Europe 50	1.9	12.0	13.8	9.3	24.2	-8.8	6.6
Euro Stoxx 50	1.5	15.9	20.5	-5.5	42.2	-15.9	1.3
Stoxx Europe Cyclical	1.4	9.0	7.5	-4.1	53.1	-20.6	-0.7
MSCI UK	1.4	7.6	5.0	15.5	24.1	-20.1	5.3
Stoxx Europe Defensives	1.2	9.4	6.3	17.5	11.6	-0.5	6.5
S&P 500	-0.1	5.2	-3.3	15.2	33.5	2.6	20.5
MSCI USA Small Caps	-0.5	-1.5	-7.8	1.1	61.9	-16.9	14.3
MSCI EM Asia	-2.4	0.0	-9.3	-10.2	38.3	-6.3	3.8

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR; Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclical: Stoxx Europe Cyclical TR; Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR; MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- The better-than-expected global reporting season gave equity markets considerable support over the past month.
- Recently, European equities, both small and large caps, have significantly outperformed their US counterparts. In addition, market breadth in Europe is higher than in the US, which typically points to a more stable recovery here.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 05/05/2018 - 05/05/2023

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (07/04/23 - 05/05/23)	YTD (30/12/22 - 05/05/23)	05/05/22	05/05/21	05/05/20	05/05/19	04/05/18
Chinese Gov Bond	0.9	1.7	4.0	5.3	-0.9	9.7	5.0
EM Local Currency Bonds	0.8	3.6	3.5	-5.0	0.8	0.2	3.1
USD High Yield	0.6	4.3	1.2	-5.6	20.1	-5.1	6.8
EUR High Yield	0.4	3.2	-0.4	-7.3	17.0	-6.1	2.6
EUR Financials	0.0	1.9	-4.2	-8.2	5.4	-1.0	2.8
EUR Non-Financials	-0.1	3.1	-3.6	-9.3	4.9	-0.5	3.2
EM Hard Currency Bonds	-0.7		-4.6	-3.3	3.9	-1.3	14.6
Treasuries	-0.7	0.5	-4.4	4.5	-13.1	17.8	11.6
Bunds	-0.7	2.2	-8.2	-8.3	-3.0	4.7	4.0
USD Corporates	-0.8	3.8	1.2	-11.5	5.9	9.0	6.6
BTPs	-0.9	3.4	-5.0	-10.5	8.4	5.3	-1.6
Gilts	-2.6	1.3	-18.1	-8.2	-7.3	14.3	6.5

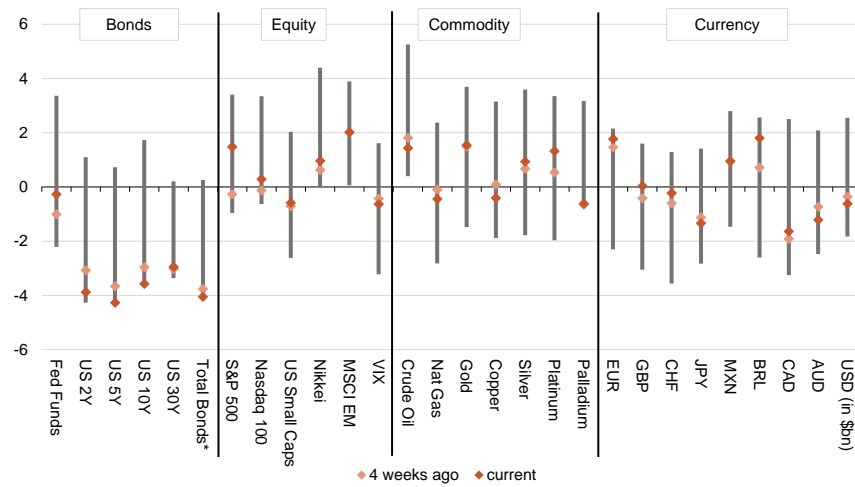
Bunds: IBOXX Euro Germany Sov TR; BTPs: IBOXX Euro Italy Sov TR; Treasuries: ICE BofA US Treasury TR; Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Gov; EUR Financials: IBOXX Euro Fin. Overall TR; EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR; USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- In bond markets, segments with more credit risk have generally led the way over the past month.
- Emerging market bonds were the best performers, followed by high-yield bonds.
- Government bonds, on the other hand, performed negatively across the board.

Total return (including reinvested coupons) for selected bond indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 05/05/2018 - 05/05/2023



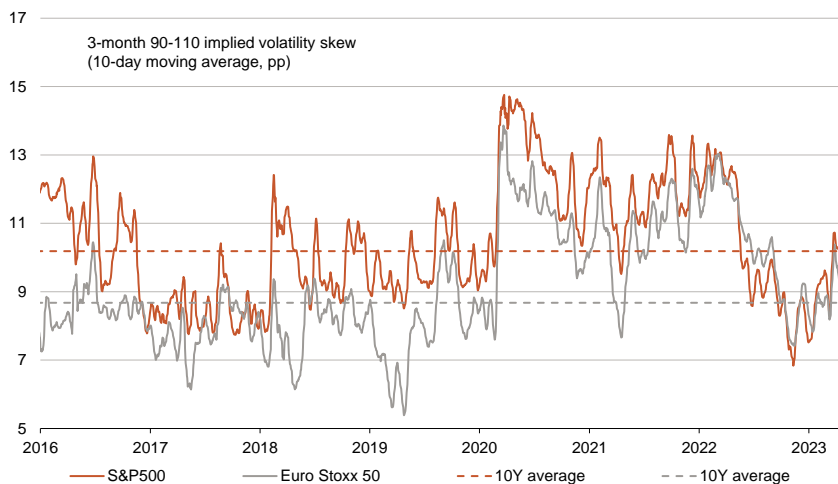
Non-Commercial Positioning



- Speculative investors have recently expanded their short positions in 10-year Treasuries to a 10-year high. Thus, despite the economic risks, they are betting on rising yields at the longer end of the yield curve.
- In platinum, hedge funds seem to be betting that the production problems in South Africa will continue.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders report every Friday. The chart shows the historical, normalised distribution in standard deviations and focuses on the net futures position (long positions minus short positions) of "non-commercial traders" (bonds, currencies), "asset managers/institutional" & "leveraged funds" (equities) and "managed money" (commodities) and shows how speculative investors are positioned. *Weighted with the respective duration
Source: Bloomberg, CFTC, Time period: 02/05/2013 - 02/05/2023

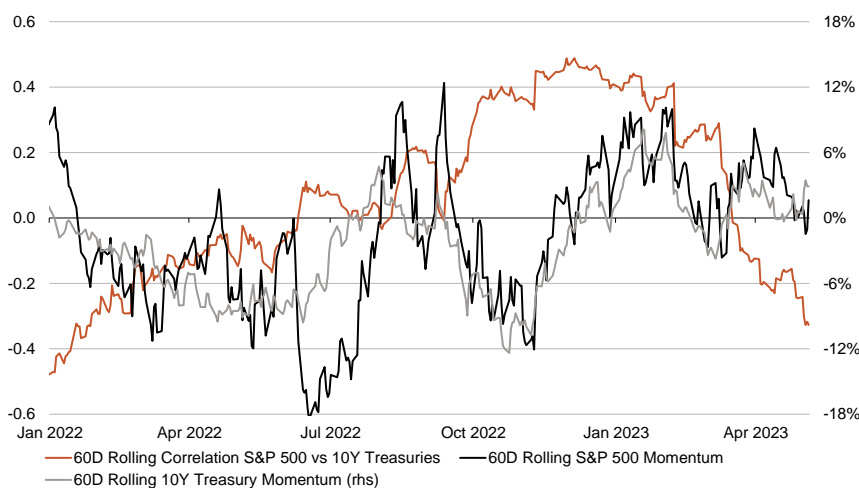
Put-Call-Skew



- The put-call skew has steepened sharply in recent weeks, while the level of implied volatility has fluctuated sideways. For example, the skew on the S&P 500 reached its highest level in about a year.
- Investors thus appear to be increasingly cautious about the coming months and have taken steps to hedge their positions.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, period: 05/05/2013 - 05/05/2023

60-Day Momentum and Correlation

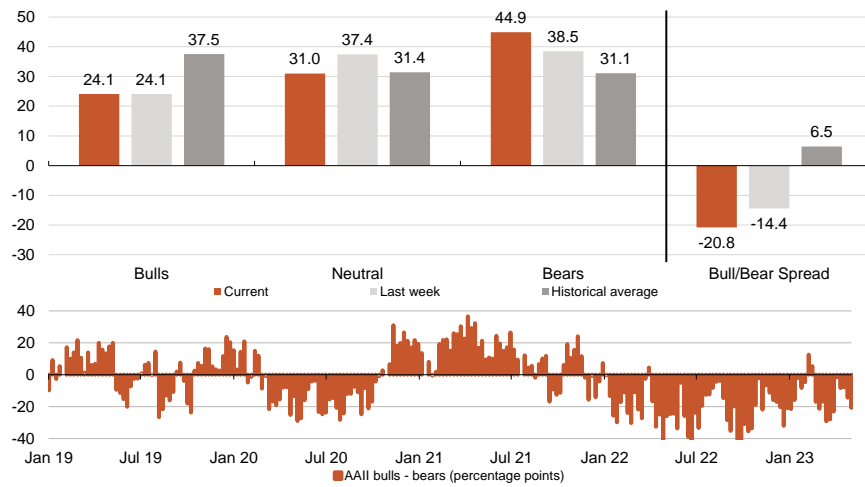


- After 2022 was characterised by an increasingly positive correlation between equities and bonds, this trend has reversed since the beginning of the year. The correlation is now at almost -0.4. Accordingly, risk-based strategies in particular, such as Risk Parity, are likely to have bought more equities in recent weeks.

The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation indicates how equitably stocks and bonds move. The higher (lower) the correlation, the fewer (more) equities demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2021 - 05/05/2023



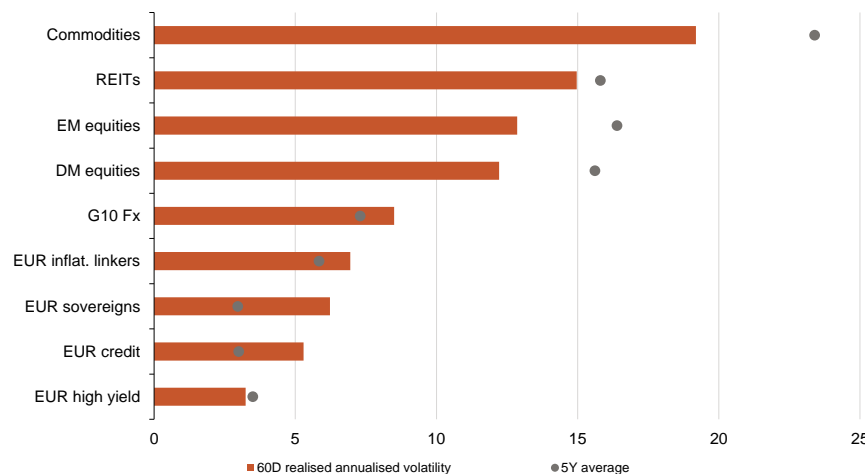
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors has deteriorated significantly with another prominent failure of a US bank.
- However, this no longer seems to be unusual. In the last 52 weeks, there were only two weeks where optimists prevailed.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AII, Time period: 23/07/87 - 04/05/2023

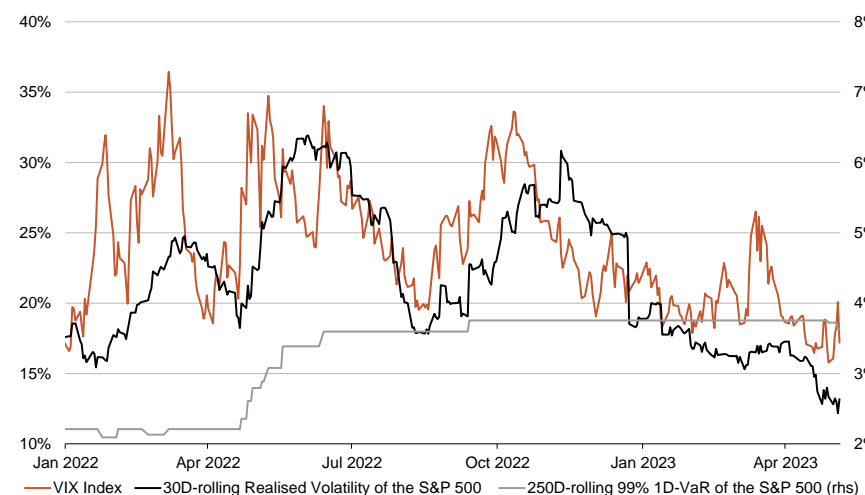
Realised Volatilities



- Despite the ongoing problems in the US banking sector, volatilities in risk assets remain below average.
- Measured against their own history, government bonds continue to exhibit surprisingly high volatility. High-yield bonds recently fluctuated almost half as much thanks to low spread movements and their lower duration.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, period: 05/05/2018 - 05/05/2023

Volatility and Value-at-Risk of the S&P 500

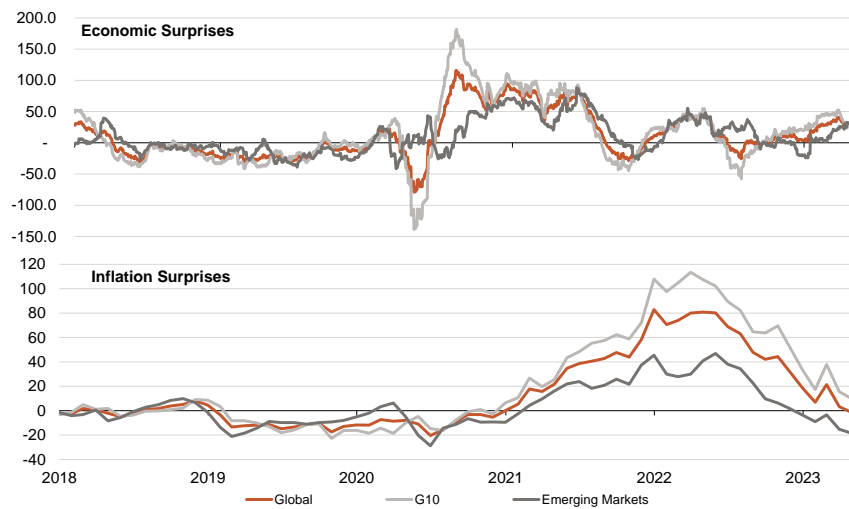


- The premium of implied volatility for the next 30 days over realised volatility of the last 30 days stood at almost 8 pp last week.
- Investors therefore expect the coming weeks to be somewhat more volatile than last month.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2021 - 05/05/2023



Global

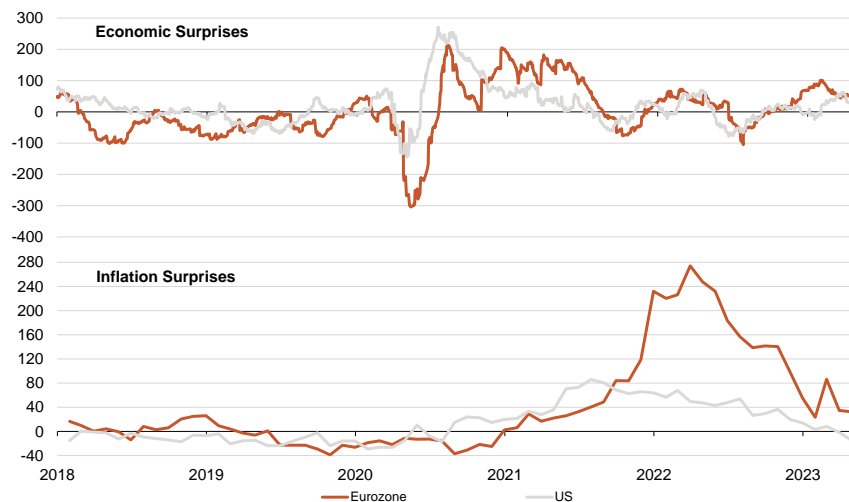


- Economic data at the global level have been less compelling in recent weeks. In particular, the economic data for the industrialised countries (G10) were below expectations.
- The picture looks better for the emerging markets. However, China was not the driving force here. Over the last two weeks, purchasing managers' data for the manufacturing and non-manufacturing sectors disappointed. In Mexico, India and South Africa, on the other hand, PMI data rose.

See explanations below.

Source: Bloomberg, Time period: 01/01/2018 - 05/05/2023

Eurozone and US

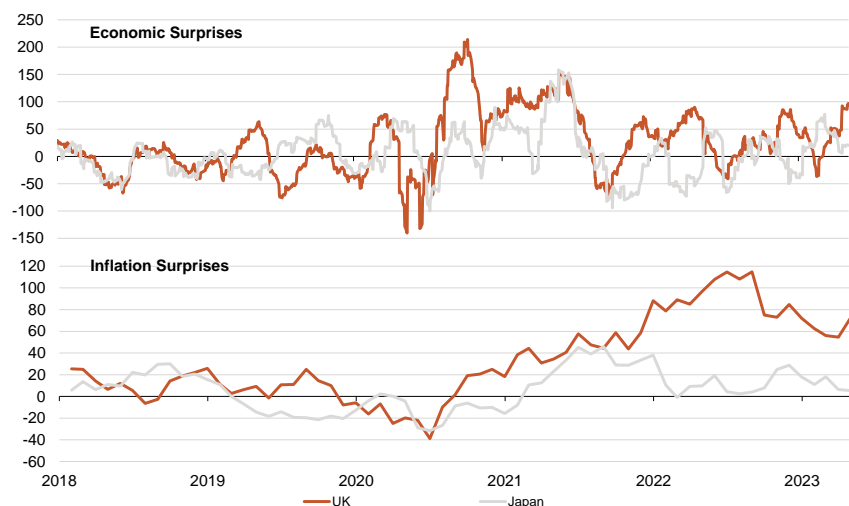


- Economic data in the US and the eurozone have been increasingly disappointing.
- The economic surprise index in the eurozone has recently turned negative. Q1 economic growth and retail sales, for example, have disappointed.
- In the US, labour market data and the ISM index surprised positively, while consumer confidence disappointed.

See explanations below.

Source: Bloomberg, Time period: 01/01/2018 - 05/05/2023

UK and Japan



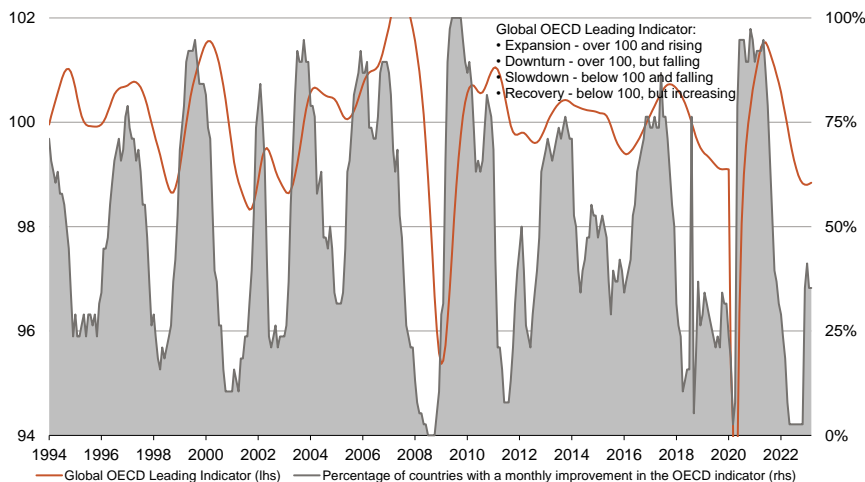
- In the UK, purchasing managers' data clearly exceeded expectations. The month-on-month house price index also turned positive, contrary to expectations.
- In Japan, industrial production surprised positively, while the unemployment rate rose more than expected.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.

Source: Bloomberg, Time period: 01/01/2018 - 05/05/2023



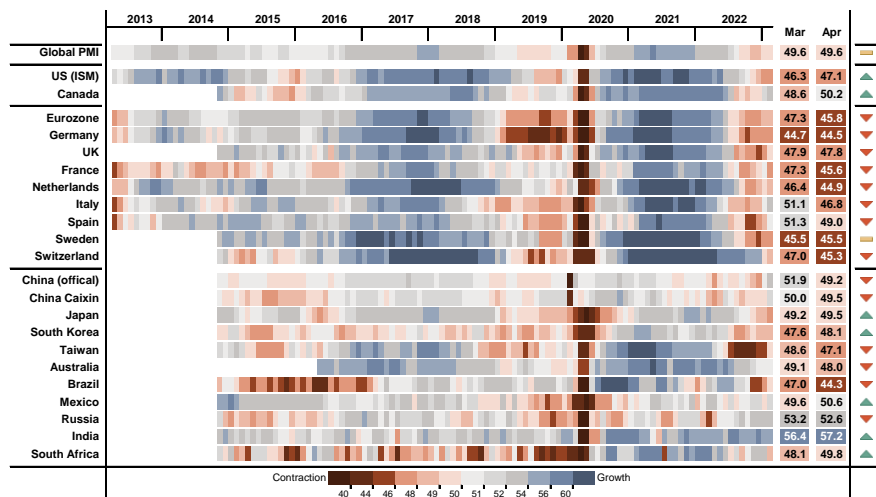
OECD Leading Indicator



- The global economy continues to slow – below 100 and falling. However, this has lost pace. The indicator has been hovering just below the 99 mark, with only marginal change since September last year.
- At the country level, 35% of the countries covered improved compared to the previous month.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
 Source: Bloomberg, Time period: 31/01/1994 - 31/03/2023

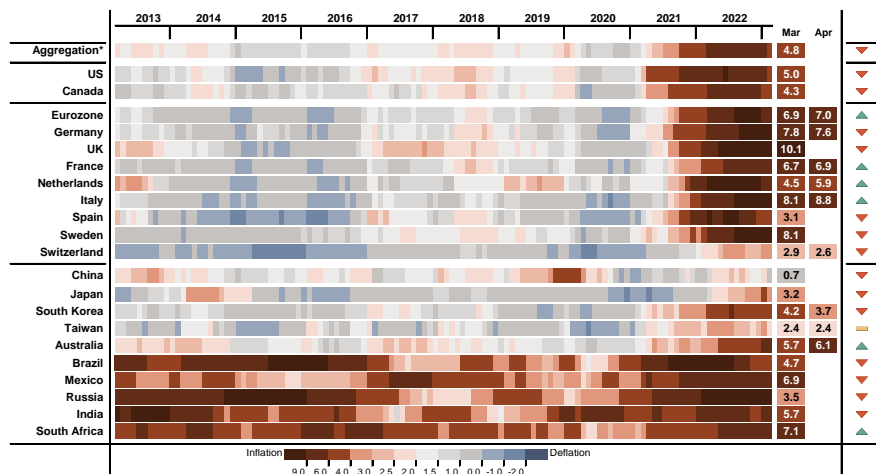
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The purchasing managers’ data for April show a mixed picture. While data in the US and Canada increased from the previous month, the eurozone aggregate deteriorated. In addition, every eurozone country shown here is now below the core 50 mark, pointing to declining activity.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
 Source: Bloomberg, Time period: 05/05/2013 - 05/05/2023

Headline Inflation

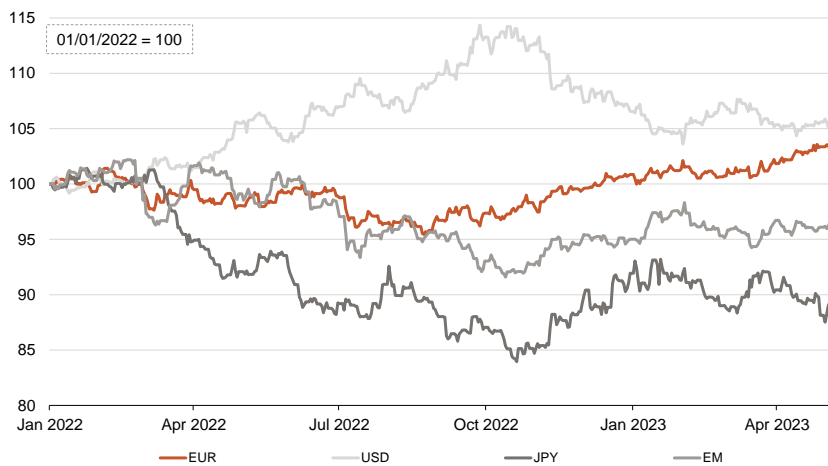


- In April, year on year inflation in the eurozone rose again compared to the previous month. This was mainly due to higher inflation in France, the Netherlands and Italy. After the cooling inflation data over the past months, a renewed rise in energy prices had led to a higher inflation rate.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
 Source: Bloomberg, Time period: 05/05/2013 - 05/05/2023



Trade-Weighted Currency Development

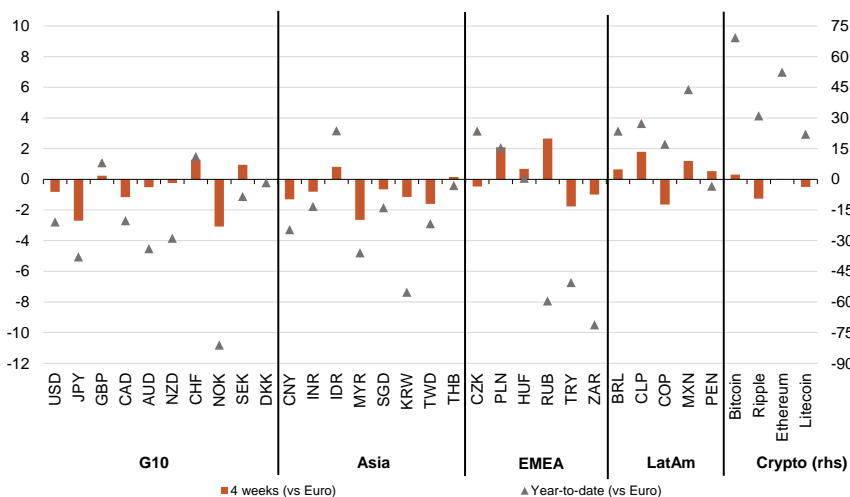


- The euro continued to climb over the past weeks.
- Emerging market currencies have been surprisingly robust over the last few weeks in the face of economic risks and the poor sentiment of many global investors.
- In the case of the Japanese yen, investors now seem to be regularly disappointed about a turnaround in monetary policy, such that the currency has not yet been able to appreciate sustainably.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.

Source: Bloomberg, Time period: 01/01/2022 - 05/05/2023

Currency Moves vs Euro

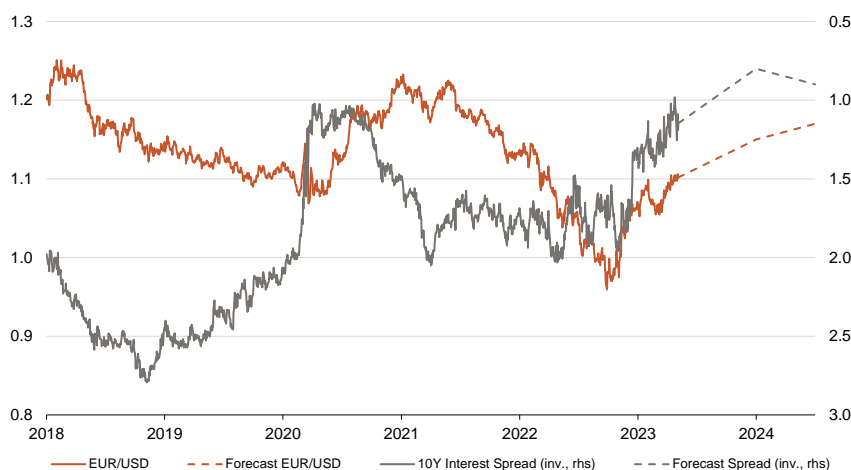


- The euro posted broad gains over the past month as ECB President Lagarde remains hawkish in her communication.
- By far the worst performing currency since the beginning of the year is the Norwegian krone. The krone is suffering above all from the Norwegian central bank's continuous currency sales.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 31/12/2022 - 05/05/2023

EUR/USD Exchange Rate and Interest Rate Differential of 10Y Bonds



- The EUR/USD exchange rate has fluctuated around the 1.10 mark in recent weeks. Both the Fed and the ECB raised their key interest rates by 25 basis points each last week, so there was no major impetus in either direction.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.

Source: Bloomberg, Time period: 01/01/2018 - 30/06/2024



European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years				
	4W (07/04/23 - 05/05/23)	YTD (30/12/22 - 05/05/23)	05/05/22	05/05/21	05/05/20	05/05/19	04/05/18
			05/05/23	05/05/22	05/05/21	05/05/20	05/05/19
Consumer Discretionary	4.0	21.9	31.5	-17.6	62.3	-18.0	-0.6
Communication Services	3.9	14.0	13.2	-5.3	56.5	-16.0	5.1
Health Care	3.0	10.6	5.9	20.0	-0.5	21.6	13.1
Consumer Staples	2.7	11.2	6.5	8.5	12.9	-4.3	15.0
Growth	2.5	14.1	11.2	-1.5	30.3	-1.1	8.2
Materials	2.1	3.5	-3.6	2.5	62.1	-15.3	2.2
Utilities	1.7	12.9	6.8	4.7	26.3	4.3	8.5
Value	1.4	8.4	7.8	6.6	35.8	-23.8	-0.2
Finance	1.3	7.9	14.2	0.8	46.7	-30.1	-4.8
Telecommunications	-0.1	17.1	-0.4	3.3	25.1	-21.4	-3.8
Information Technology	-1.7	16.1	7.1	-8.1	46.0	-0.6	11.1
Energy	-2.7	0.1	7.9	47.6	18.9	-37.6	1.7

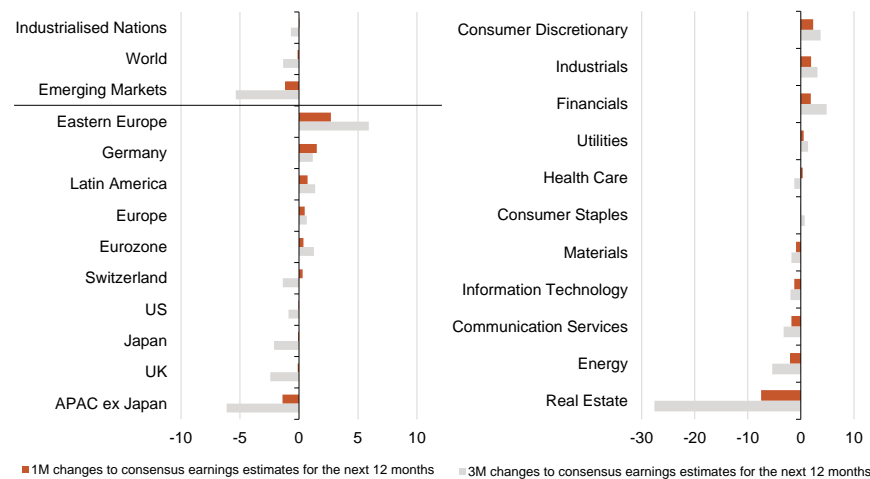
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- Cyclical consumer goods and industrial stocks rose the most in the last four weeks. Cyclical consumer goods stocks show the best performance since the beginning of the year, with more than 20%.
- Energy stocks are on the other side of the performance table. Since the beginning of the year, they have shown only a marginally positive development.

Total return of European equity sectors and European style indices, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.

Source: FactSet, Time period: 13/01/2018 - 05/05/2023

Changes in Consensus Earnings Estimates

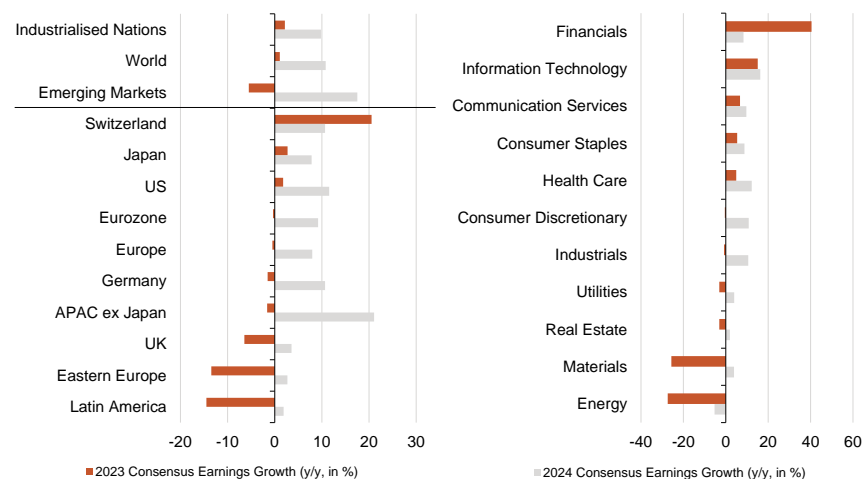


- In the emerging markets, earnings revisions were negative in the last four weeks. The falling commodity prices over the last few weeks are probably one reason for the negative revisions. Industrialised countries, on the other hand, hardly experienced any earnings revisions.
- Regionally, analysts raised their earnings estimates for Eastern Europe and lowered them for Asia-Pacific ex-Japan.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.

Source: FactSet, as of 05/05/2023

Earnings Growth



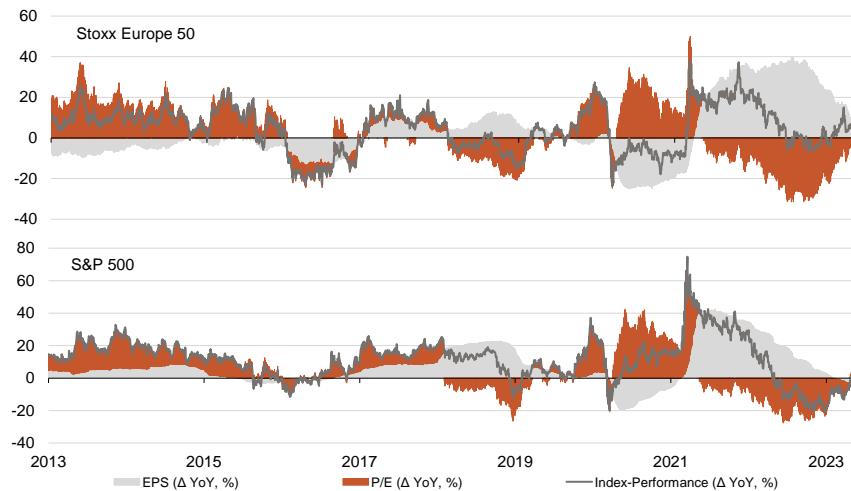
- Profit growth in 2023 is likely to take place primarily in the industrialised nations. But even there, growth is likely to be low, according to the consensus.
- Swiss companies, on the other hand, are likely to record average profit growth of about 20% in 2023. On the other side are Latin American companies, which are likely to record a decline in profits of more than 10%.

Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan

Source: FactSet, as of 05/05/2023



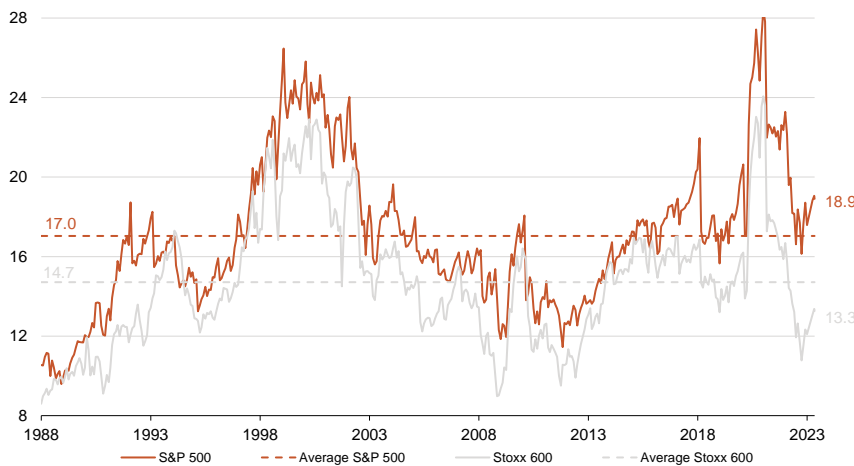
Contribution Analysis



- For the first time in almost two years, a valuation expansion was again a supportive factor for the development on the equity markets.
- The positive development of the Stoxx Europe 50 was supported by both earnings and valuation.
- The S&P 500, on the other hand, lost value year-on-year due to the expected decline in earnings and despite the valuation expansion.

Analysis of the drivers of stock market development over the last 12 months. The change in earnings estimates and the change in valuation (price-earnings ratio) are taken into account. EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2013 - 05/05/2023

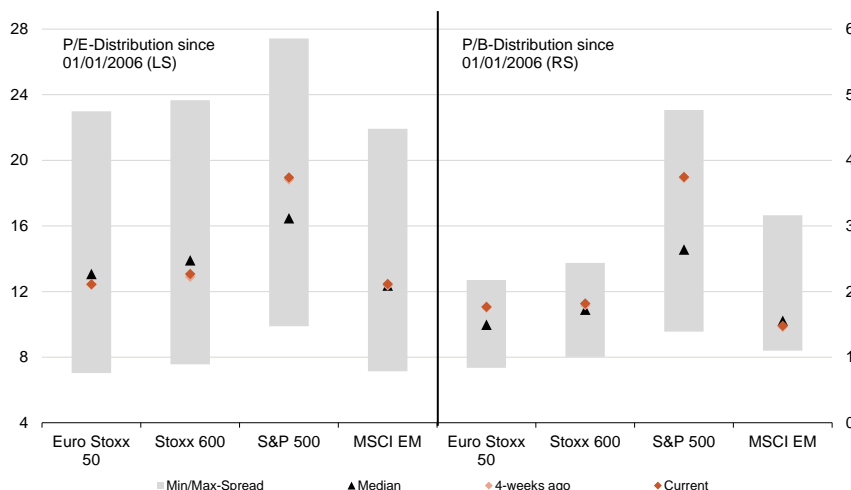
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The P/E ratios of the S&P 500 and the Stoxx 600 are now noticeably away from the lows of the end of 2022. The valuation focus due to the significant rise in interest rates over the past year thus seems to have at least diminished.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, Factset, Time period: 31/12/1987 - 05/05/2023

Historical Distribution: Price/Earnings and Price/Book Ratio

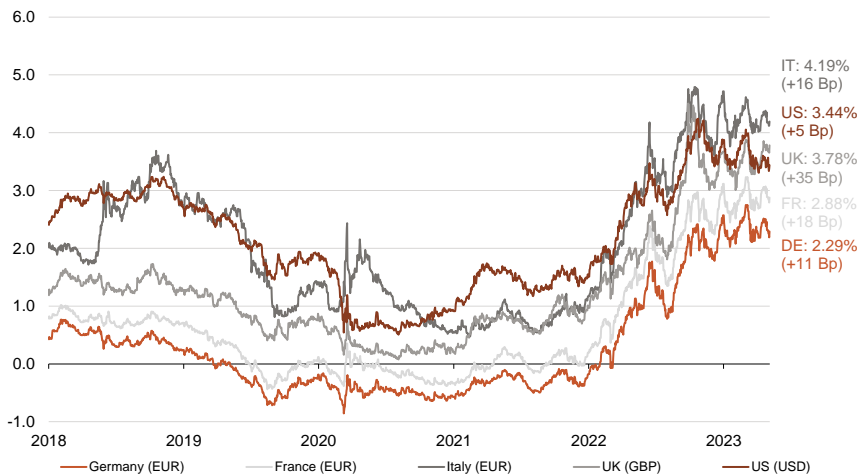


- Valuation levels have changed little in the last four weeks. Based on the P/E ratio, European equities remain slightly cheap by historical standards. Emerging market equities, on the other hand, are fairly valued and US equities are slightly expensive.

Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and minimum (lower limit of the grey bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 - 05/05/2023



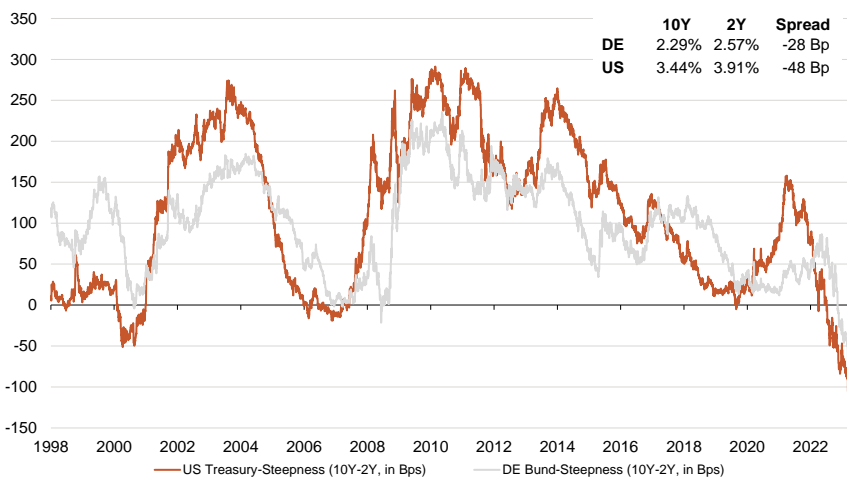
10-Year Government Bond Yields



- US government bond yields have barely risen in the last four weeks. The decline in inflation, re-emerging economic concerns and a less hawkish Fed were decisive factors.
- In contrast, yields on European government bonds and especially on British government bonds have risen. Unlike many other regions, inflation in the UK recently surprised to the upside.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets). Source: Bloomberg, Time period: 01/01/2018 - 05/05/2023

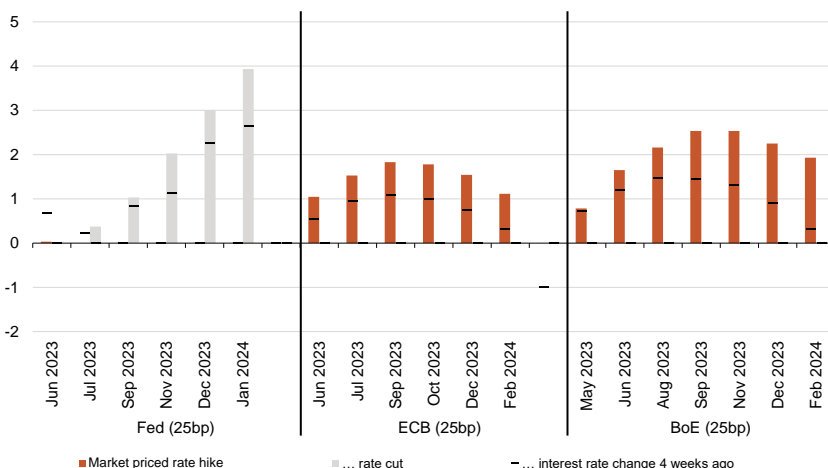
Yield Curve Steepness (10Y - 2Y)



- Less hawkish central banks combined with emerging recession concerns caused the steepness of the yield curve in Germany and the US to increase significantly in the last two weeks.

The yield curve distinguishes between the so-called short end and the long end. The reason for this is the way in which factors influence yields. Central banks control the short end of the curve through their monetary policy and key interest rates. In contrast, the long end is influenced less by central banks and more by inflation expectations, supply, demand and risk premiums. Source: Bloomberg, Time period: 01/01/1998 - 05/05/2023

Implicit Changes in Key Interest Rates

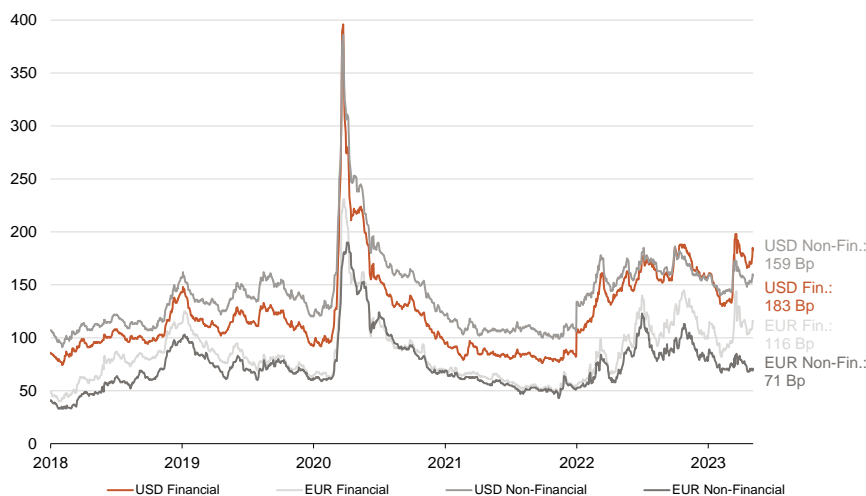


- At 5.25% (upper bound), central bank interest rates in the US are now as high as they were last in 2007 before the financial market crisis. After the last rate hike by the Fed, the market does not expect a further increase in 2023. On the contrary, interest rate cuts are already being priced in again from September 2023 on.
- By contrast, the market expects at least one more rate hike from the ECB and the BoE in 2023.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market. Source: Bloomberg, Time period: 07/04/2023 - 05/05/2023



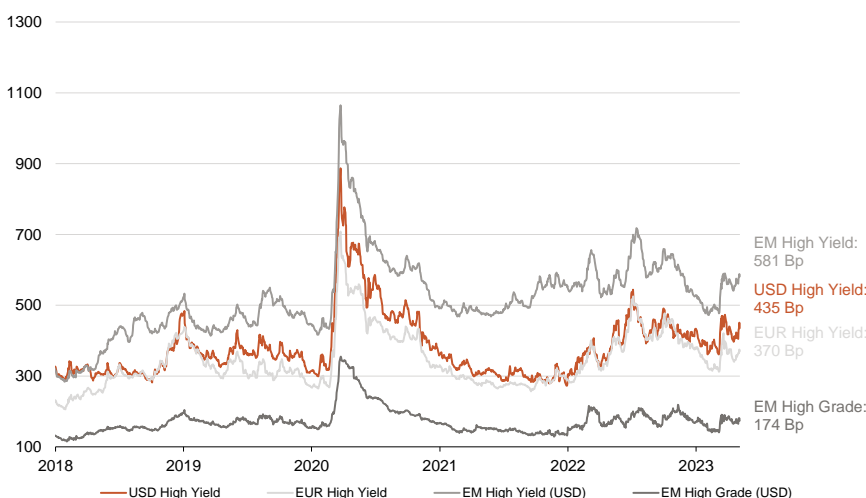
Credit Spreads Financial and Non-Financial Bonds



- The spreads on investment-grade corporate bonds have risen in the last two weeks. The increase was mainly observed in financial bonds, which suggests that the market has not yet fully digested the banking turmoil. The spreads on USD financial bonds, for example, have risen about 20bp in the last two weeks.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 - 05/05/2023

Credit Spreads High Yield and Emerging Markets Bonds



- The spreads on high-yield bonds have also risen noticeably in the last two weeks. The most significant widening of spreads was experienced by emerging market and USD high-yield bonds with about 30bp. The spreads on EUR high-yield bonds have risen by about 20bp.

How high the risk associated with the corporate bond is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2018 - 05/05/2023

Bond Segments Overview

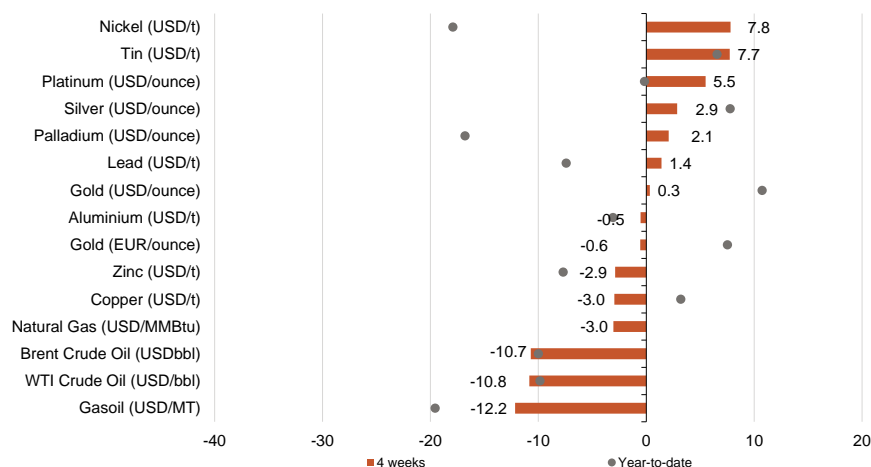
	Key figures			Asset Swap Spread			Total Return (% local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	05/05/22	05/05/21	05/05/20	05/05/19	05/05/18
EUR Government	3.01	0.14	7.1	-	-	-	-0.9	2.0	-7.6	-9.9	1.4	4.4	2.5
Germany	2.37	0.10	7.2	-	-	-	-0.8	1.8	-8.2	-8.3	-3.0	4.7	4.0
EUR Corporate	4.09	0.07	4.5	88	-4	67	0.0	2.4	-3.8	-8.8	5.1	-0.7	3.1
Financial	4.44	0.12	3.8	116	1	90	-0.1	1.7	-3.5	-7.3	4.7	-0.6	2.7
Non-Financial	3.88	0.04	5.0	71	-6	51	0.0	2.9	-4.0	-9.6	5.3	-0.7	3.2
EUR High Yield	7.46	0.02	3.2	370	-6	66	0.4	3.2	-0.4	-7.3	17.0	-6.1	2.6
US Treasury	3.74	0.10	6.5	-	-	-	-0.6	3.7	0.0	-8.6	-4.2	14.6	4.7
USD Corporate	5.23	0.13	6.9	166	1	83	-0.7	3.8	1.2	-11.5	5.9	9.0	6.6
Financial	5.53	0.12	5.1	183	3	95	-0.4	3.0	0.8	-9.7	6.0	8.1	6.5
Non-Financial	5.09	0.14	7.8	159	0	74	-0.9	4.2	1.5	-12.3	5.9	9.3	6.7
USD High Yield	8.60	0.02	4.1	435	-5	72	0.6	4.3	1.2	-5.6	20.1	-5.1	6.8
EM High Grade	5.36	-0.02	5.3	174	-10	44	0.4	3.5	1.2	-10.9	7.2	3.4	6.6
EM High Yield	10.69	0.23	3.8	581	7	62	-0.7	1.2	-1.0	-17.0	21.7	-4.4	6.5

- EUR and USD high-yield bonds, on the contrary to most other segments, recorded a positive development in the last four weeks. Falling spreads and the higher current yield helped.
- The spreads on USD financial bonds are in the 95 percentile and are thus attractive in a 10-year comparison.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.
Source: FactSet, Time period: 05/05/2018 - 05/05/2023



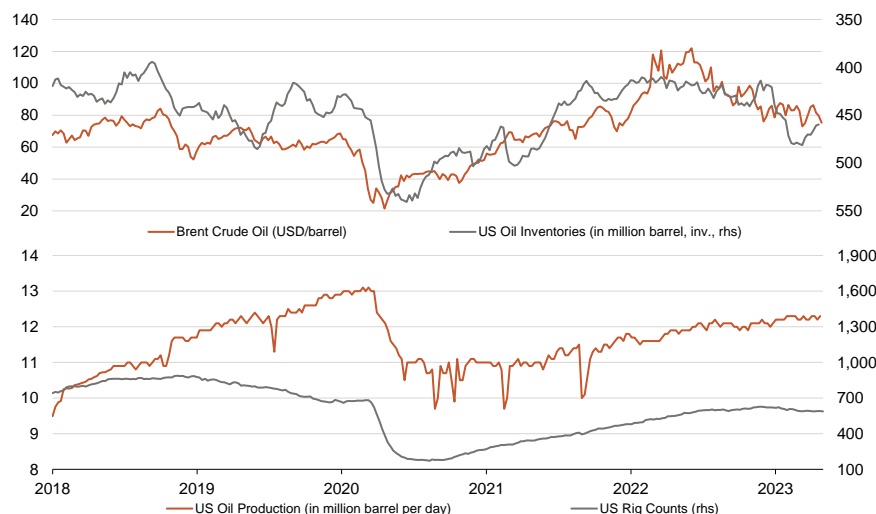
Commodities Performance



- Developments on commodity markets were very mixed over the last month.
- The industrial metals nickel and tin as well as the cyclical precious metals platinum, silver and palladium performed best. At the same time, other cyclical commodities such as crude oil and copper were the worst performers. The energy market in particular seems to be very pessimistic about the economic development.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 05/05/2023

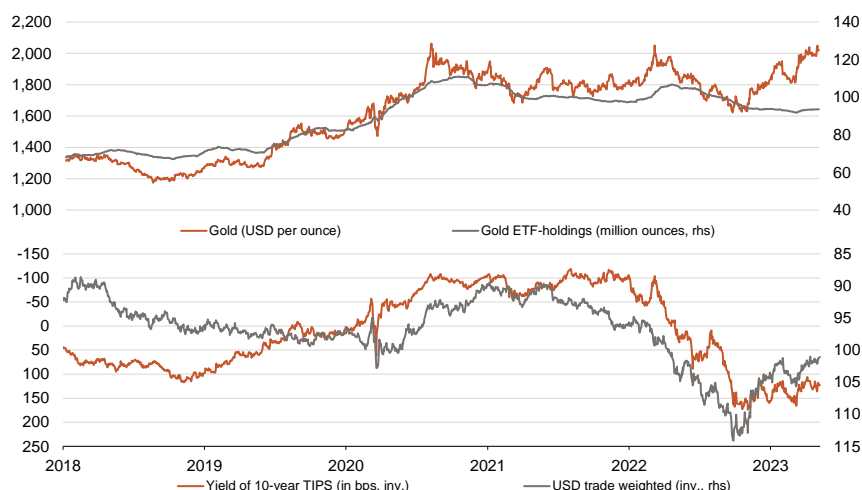
Crude Oil



- One month later, there is nothing left of the oil rush following the announcement of the OPEC cut at the beginning of April.
- WTI crude fell almost 20% from its post-announcement high. The prospect of a recession in the US and an unconvincing recovery in China dampened sentiment, despite declining inventories in the US.

Higher oil production and higher inventories tend to weigh on oil prices and vice versa. An increase in active oil wells indicates higher oil production in the future.
Source: Bloomberg, Time period: 01/01/2018 - 05/05/2023

Gold



- Gold stabilised within reach of its all-time high of \$2,063.
- A combination of expectations of a pause in interest rate hikes by the US Federal Reserve and increasing risks in the US economy (weaker economic data and stress in the banking sector) provided a tailwind for the precious metal.

The US dollar and the real, i.e. inflation-adjusted, interest rate are among the fundamental price factors of the gold price. Rising real interest rates tend to weigh on the gold price, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects financial investors' demand for gold.
Source: Bloomberg, Time period: 01/01/2018 - 05/05/2023

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